

# Residential Capital, LLC

## Expert Report of Mark A. Renzi – Intercompany Balances

**11/1/2013**

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## Executive Summary

## Disclaimer

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This report ("Report") was prepared pursuant to the engagement of FTI Consulting, Inc. ("FTI") by Residential Capital, LLC and its debtor affiliates (collectively, "ResCap" or the "Debtors"). Mr. Renzi will explain how, under certain hypothetical scenarios, the allowance of intercompany balances reflected on the Debtors' books and records as of the Petition Date impacts the secured recovery of the JSN (as defined below)

FTI was last retained by the Debtors on 8/25/11 as its financial advisor to provide the Debtors with general restructuring and financial advisory services as more fully described in FTI's engagement letter, as amended, with the Debtors. The information contained herein is based upon information supplied by the Debtors and publicly available information, and portions of the information contained herein are based upon statements, estimates, allocations and forecasts provided by the Debtors

Mr. Renzi and FTI professionals at his direction have relied upon the accuracy and completeness of the foregoing information, including statements, estimates, allocations and forecasts, have not assumed any responsibility for any independent verification of such information and have assumed that such information has been reasonably prepared on bases reflecting the best estimates and judgments of the management of the Debtors

The analysis in this presentation is complex and is not necessarily susceptible to a partial analysis or summary description. Furthermore, selecting any portion of Mr. Renzi's analysis, without considering the analysis as a whole, would create an incomplete view of the process underlying the analysis

Mr. Renzi will not be responsible for and has not provided any tax, accounting, actuarial, legal or other specialist advice in this Report

## Mark A. Renzi – Qualifications

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### Education

- B.A. in Economics, Washington College
- M.S. in Finance, Boston College
- Scuola di Amministrazione Aziendale, University of Turin School of Business

### Qualifications

- Mark Renzi is a senior managing director in the FTI Consulting Corporate Finance/Restructuring practice and is based in Boston. Mr. Renzi has nearly 20 years of business experience and more than twelve years of financial consulting experience, including liquidity and capital structure assessment, debt and equity restructuring advice and identification of reorganization alternatives. He has experience across a broad range of industries, including retail, manufacturing, distribution, derivative portfolio management, healthcare, financial services, consumer credit and telecommunications, among others
- Mr. Renzi has provided restructuring services on more than 25 engagements in both out-of-court workout situations and in Chapter 11 proceedings. Further, he has assisted distressed companies with day-to-day management activities, including development of pro forma financials, cash flow management and identification of liquidity enhancing activities. Mr. Renzi has also provided restructuring advice to portfolio companies of private equity firms
- Mr. Renzi is experienced in analyzing and implementing strategic and operational change, including the development of business plans and redeployment of capital to address changing industry conditions, as well as stabilizing and fixing noncore operations through plant, product and customer rationalization initiatives. He has developed options and solutions through detailed financial and operational analyses, while collaborating closely with management and other stakeholders. In addition to operational turnarounds, Mr. Renzi has assisted in financial restructurings, including refinancings, recapitalizations, debt-for-equity swaps and strategic mergers and acquisitions
- Mr. Renzi has been involved with many large and high profile national and international engagements, including: CIT; Residential Capital; Credit-Based Asset Servicing and Securitization (C-BASS), a large RMBS investor and loan servicer; The Education Resources Institute, the nation's largest guarantor of private loans for education; American Business Financial Services, an originator and servicer of home mortgage loans; Thaxton Financial; Oakwood Homes Financial Corporation; a \$4 billion international chemical company and a \$2 billion international recreational products company. Two of Mr. Renzi's engagements were selected as the turnaround of the year by various industry organizations

## Mark A. Renzi – Qualifications

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- Prior to joining FTI Consulting, Mr. Renzi worked at a boutique money management firm in New York evaluating derivative portfolios. He has also held various positions in financial analysis and planning and business plan development
- Mr. Renzi is a member of several professional organizations, including the Association of Insolvency & Restructuring Advisors and the Turnaround Management Association
- Mr. Renzi has provided testimony in The Education Resources Institute bankruptcy matter and has previously provided testimony in this matter
- In connection with the preparation of this Report, FTI is being compensated based on the time incurred providing such services, multiplied by FTI's standard hourly rates. FTI is also reimbursed for reasonable direct expenses incurred in connection with the rendition of FTI's services. Compensation payable to FTI is not contingent on the nature of Mr. Renzi's findings or on the outcome of this case



# Introduction

## Introduction

- The Report has been prepared at the request of counsel. Mr. Renzi will explain how, under certain hypothetical scenarios, the allowance of intercompany balances as reflected in the Debtors' books and records as of the Petition Date impacts the secured recovery of the JSN
- The JSN collateral recovery calculations contained herein are based on information available to and analysis conducted by Mr. Renzi and other FTI professionals at his direction as of the date of this Report
- FTI has developed a recovery model (the "Waterfall Model") in order to determine the distributable value of intercompany balances and resulting total recovery for the JSN based on scenarios provided by counsel. The Waterfall Model was developed by Mr. Renzi and FTI professionals at his direction during the pre-petition period and has since been maintained and refined as additional information becomes available and additional or different assumptions become relevant. The Waterfall Model and the model relied upon by the JSN (the "Fazio Model") are largely in agreement with one another
- In this Report, Mr. Renzi assumes in certain cases that the intercompany balances are either directly or indirectly part of the JSN collateral. Mr. Renzi does not opine on whether the JSN have valid and perfected liens on the intercompany balances
- FTI has been asked by counsel to provide sensitivity outputs for the following scenarios:
  - **Base Case** – Waterfall Model assumptions (e.g., claims and administrative expense allocation) are consistent with the Plan's recovery analysis, but the Base Case assumes no recovery on account of an AFI contribution. It also reflects, consistent with the Waterfall Model, that the intercompany balances are receiving no distribution, that the JSN do not have enforceable liens on the intercompany balances, that to the extent the JSN do have liens on the intercompany balances such liens have no value, and that the JSN will be unable to demonstrate an entitlement to adequate protection on account of the Plan's treatment of intercompany balances. The JSN will be undersecured and not be paid in full
  - **Scenario 1** – Waterfall Model assumptions are consistent with the Plan's recovery analysis, but without the AFI contribution and with allowed intercompany balances adjusted to reflect the impact of:
    - Avoidance of certain intercompany balances on account of the identified forgiveness of such balances as of the Petition Date
    - Reinstatement of balances on account of the avoidance of fraudulent conveyances related to the historical forgiveness of intercompany balances, which such avoidance actions the Court has determined are not subject to the JSN liens
    - Subordination of certain intercompany balances
  - **Scenario 2** – Waterfall Model assumptions are consistent with the Plan's recovery analysis and recognizes the intercompany balances at face value, but without the AFI contribution. This scenario is solely for illustrative purposes. Any scenario with an AFI contribution and intercompany balances allowed at face value would result in significant changes to other assumptions contained in the Plan's recovery analysis

1. The "Revolver" means that certain loan agreement by and among Debtors RFC and GMACM, as borrowers, various Debtor affiliates, as guarantors, and AFI, as agent and lender, dated as of December 30, 2009. The "JSN" mean the 9.625% Junior Secured Guaranteed Notes due 2015



## Introduction (cont.)

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- The Waterfall Model calculates the recovery for JSN at each legal entity and factors in the impact of allowance/disallowance of certain intercompany balances, equity pledges and deficiency claims
  
- The Waterfall Model also assumes the following:
  - Recoveries from certain international entities and CapRe are excluded, as any recoveries from these entities that might flow into the estate are speculative due to potential and ongoing litigation
  - Ally Revolver (including blanket lien) collateral and equity in DIP are used to pay the JSN secured claim before the General Unsecured Creditors (“GUC”)
  - JSN deficiency claims are asserted against the borrower and guarantor entities, including ResCap, and are pari passu with the GUC
  - Approximately \$169.8M of projected administrative expenses are to be paid from the JSN cash collateral after 4/30/13
  
- Mr. Renzi has assumed the following when evaluating the results of the Waterfall Model:
  - The Debtors' tracking and allocation of the Revolver/JSN collateral is reliable and accurate
  - The Debtors' assumptions as to the recoverability of assets remaining in the estate, which were included in the Disclosure Statement approved on 8/23/13, are reasonable
  - The Debtors' assumptions as to the wind-down costs of the estate and the allocation of expenses on a debtor-by-debtor basis are reasonable and consistent with the Global Settlement
  - The potential impact of the UCC's lien challenge on the JSN collateral is not considered in this analysis
  - Intercompany receivables between two Debtor entities can be offset with intercompany payables between those same two entities, and vice versa. Thus, the intercompany balances in this Report are presented on a net basis

## Overview of Hypothetical Sensitivity Scenarios

## JSN Secured Recovery

- As reflected below, the models utilized by FTI and the JSN are consistent and largely in agreement with one another<sup>1</sup>
- The schedule below reflects \$1.745B in secured recovery for the JSN calculated based on the recovery value of the JSN collateral and equity pledges
- The analysis also reflects \$169.8M for projected administrative expenses to be applied against the JSN collateral after 4/30/13
  - Of the \$169.8M<sup>2</sup>, approximately \$27M<sup>3</sup> was actually paid from the JSN cash collateral under the terms of various stipulations for use of cash collateral between 5/1/13 and 8/31/13<sup>4</sup>. The remainder is related to the estimate of accrued and unpaid professional fees as of 7/11/13 plus \$25M
- Based on the Ocwen sale true-up analysis, a favorable purchase price adjustment resulted in an additional \$51M in recoveries allocated to the JSN collateral

(\$ millions)

	JSN Secured Recovery		
	Fazio Model	FTI Model	Variance
1 Cash and Remaining Assets	\$ 2,512	\$ 2,513	\$ (1)
2 Equity Pledges	100	99	1
3 Pledged Intercompany Claims	-	-	-
4 Impact of Ocwen True-Up	51	51	-
5 Revolver Pay-Down	(747)	(747)	-
6 Additional Expense Allocation	(27)	(170)	143
7 <b>Total Secured Recovery</b>	<b>\$ 1,888</b>	<b>\$ 1,745</b>	<b>\$ 143</b>
8 <i>Additional Expenses</i>	(143)	n/a	(143)
9 <b>Total Secured Recovery</b>	<b>\$ 1,745</b>	<b>\$ 1,745</b>	<b>\$ (0)</b>

1. FTI reserves the right to adjust this statement once the JSN model is produced

2. As noted above, the calculation of actual and projected expense allocation of \$169.8M was based on estimated accrued and unpaid expenses. As such, it is subject to modification based on actual results

3. \$27M was actually charged to the JSN collateral during the period from 5/1/13 to 8/31/13. Of this amount, \$3.7M relates to pre 5/1 expenses paid prior to 5/1 but reimbursed by the JSN collateral post 5/1/13. \$1.2M was charged in August 2013 following the expiration of the Cash Collateral Stipulation on 7/11/13 solely for the reimbursement of JSN professional fees

4. Additional amounts may have been charged against the JSN collateral since 8/31/13 pursuant to the limited authority granted in the cash collateral stipulation

## Overview of Scenarios – Global Assumptions

The table below provides an overview of the global assumptions FTI applied in each of the hypothetical scenarios included in this Report

Assumption	Comments
<b>Waterfall Model Mechanics</b>	<ul style="list-style-type: none"> <li>■ Illustrative waterfall analysis based on the Debtors' trial balances as of 4/30/13 adjusted to reflect the Ocwen true-up and claims consistent with the provisions of the Plan</li> <li>■ Obligations are satisfied at each subsidiary by the assets at the subsidiary. Remaining equity, if any, would flow up to the next ownership level</li> <li>■ Key considerations include co-borrowing relationships, guarantees, and equity ownership structure</li> <li>■ With the exception of the Base Case scenario, pre-petition intercompany balances are allowed and then adjusted for various hypothetical scenarios that could occur in light of the intercompany balances being asserted; hypothetical scenarios are discussed below</li> <li>■ Consistent with the cash management order, post-petition intercompany balances are unwound and reflected in the 4/30/13 balances</li> <li>■ Any value attributable to certain international entities and CapRe is excluded as any recoveries from these entities that might flow into the estate are speculative due to potential and ongoing litigation</li> </ul>
<b>Asset Recovery</b>	<ul style="list-style-type: none"> <li>■ The asset recovery estimates are as of April 30, 2013, with certain limited adjustments based on: <ul style="list-style-type: none"> <li>▪ Cash proceeds that might be realized from the orderly liquidation of the Debtors' remaining assets</li> <li>▪ Presented on an undiscounted basis</li> <li>▪ Assumed to occur over the course of up to seven years, with approximately 85% of the recoveries occurring over the first three years</li> <li>▪ Assumed to include \$68M in additional proceeds from the Ocwen true-up; \$51M is attributed to the JSN collateral</li> </ul> </li> </ul>
<b>AFI Contribution</b>	<ul style="list-style-type: none"> <li>■ Sensitivity scenarios outlined in this Report assume no AFI contribution. I have also been instructed by counsel not to include any value for purported liens by the JSN on alleged causes of action by the estates against Ally or its affiliates.</li> </ul>
<b>Wind-down Costs</b>	<ul style="list-style-type: none"> <li>■ \$826M allocated to the GMACM and approximately \$10M allocated to ETS</li> <li>■ \$250M allocated to RFC</li> </ul>
<b>GUC</b>	<ul style="list-style-type: none"> <li>■ Amount and allocation of the GUC is consistent with the Disclosure Statement and includes Monoline Claims, RMBS Claims, Senior Unsecured Claims, Other GUC, and the JSN Deficiency Claims</li> <li>■ The JSN Deficiency Claims are asserted against the borrower and guarantor entities, including ResCap, and are pari passu with GUC</li> </ul>

## Overview of Scenarios – Sensitivity Assumptions

### Base Case

- Projected and allowed claims in the Base Case scenario are consistent with the Plan's Waterfall Model, but the distributions to the JSN are not supplemented by the AFI contribution
- Assuming no AFI contribution and disallowance of intercompany balances, the JSN recover approximately \$1,745M in secured recovery calculated based on the recovery value of the JSN collateral and equity pledges
- By asserting deficiency claims, the JSN recover an additional \$217M
- Combined JSN recovery in the Base Case scenario is \$1,963M (88% of the total JSN asserted claim of \$2,223M)

### Scenario 1

- Scenario 1 utilizes assumptions from the Base Case scenario. In addition, it is assumed that the intercompany balances are allowed and adjusted to reflect the impact of:

#### A Intercompany balances identified for forgiveness

- The impact of reducing the total intercompany balances on the Debtors' books and records as of the Petition Date by the amount of those balances that were identified to be forgiven as of the Petition Date reduces the total intercompany balance by approximately \$2.6B (from \$8.2B to \$5.6B). As a result of allowing these adjusted intercompany balances, the JSN secured recovery in scenario 1A is \$1,757M (79% of the total JSN asserted claim of \$2,223M)

#### B Reinstatement of balances on account of avoidance of fraudulent conveyances

- Reinstatement of certain balances on account of the avoidance of fraudulent conveyances reduces the total intercompany balance by approximately \$2.0B (from \$8.2B to \$6.2B). As a result of allowing these adjusted intercompany balances, the JSN secured recovery in scenario 1B is \$1,870M (84% of the total JSN asserted claim of \$2,223M)

#### C Subordination of certain intercompany balances

- The impact of subordinating certain intercompany balances to GUC reduces the total intercompany balance by approximately \$2.2B (from \$8.2B to \$6.0B). As a result of allowing these adjusted intercompany balances, the JSN secured recovery in scenario 1C is \$1,768M (80% of the total JSN asserted claim of \$2,223M)

#### D The Aggregation of 1A, 1B, and 1C

- Assuming no AFI contribution and the aggregation of intercompany balance adjustments highlighted in 1A, 1B, and 1C, the JSN secured recovery in scenario 1D is \$1,751M (79% of the total JSN asserted claim of \$2,223M)

## Overview of Scenarios – Sensitivity Assumptions (cont.)

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### **Scenario 2**

- Scenario 2 utilizes assumptions from the Base Case scenario. In addition, it is assumed that the intercompany balances on the Debtors' books and records as of the Petition Date are allowed at their face value
- The allowance of pre-petition intercompany balances on the Debtors' books and records as of the Petition Date improves the JSN secured recovery by approximately \$130M over the Base Case scenario
- Without the AFI contribution, the JSN will not recover their asserted claim of \$2,223M even if the intercompany balances are allowed at face value. Nonetheless, as a result of allowing the aforementioned intercompany balances the JSN secured recovery in Scenario 2 is \$1,876M (84% of the total JSN asserted claim of \$2,223M)
- Scenario 2, however, still reflects various assumptions from the Plan recovery analysis that would otherwise be unavailable absent the Global Settlement, for example, multiple settled claims levels. Absent the Global Settlement, claims would be significantly higher, further reducing the JSN recovery. Therefore, Scenario 2 is purely for illustrative purposes and does not reflect a likely outcome

## Overview of Scenarios – Results

The table below shows the recovery available to the JSN under the scenarios discussed herein

(\$ millions)		Scenario 1					Scenario 2
		Base Case	A	B	C	D	
1	JSN Secured Recovery	\$ 1,745	\$ 1,745	\$ 1,745	\$ 1,745	\$ 1,745	\$ 1,745
2	Total Improvement in JSN Recovery	-	12	125	22	6	130
3	Total Secured Recovery	1,745	1,757	1,870	1,768	1,751	1,876
4	% of Total Claim (\$2,223M)	79%	79%	84%	80%	79%	84%
5	Unsecured Recovery	217	211	189	210	216	186
6	Total Recovery	\$ 1,963	\$ 1,969	\$ 2,060	\$ 1,977	\$ 1,967	\$ 2,062
7	% of Total Claim (\$2,223M)	88%	89%	93%	89%	88%	93%

- A** Intercompany balances identified for forgiveness
- B** Reinstatement of balances on account of avoidance of fraudulent conveyances
- C** Subordination of certain intercompany balances
- D** The aggregation of 1A, 1B, and 1C

# Scenario 1 **A** – Impact of Intercompany Balances Identified for Forgiveness

- Historically, the Debtors forgave intercompany balances in the normal course of business. On occasions including when the existence of an intercompany payable on a Debtor's balance sheet threatened certain solvency and net worth thresholds under external financing agreements and/or federal or state regulations, the intercompany balance was forgiven. Additionally, intercompany balances were forgiven among the Debtors and certain non-Debtor subsidiaries in connection with the Debtors' international transactions and the dissolution of entities
- The Debtors forgave approximately \$16.6B of intercompany balances between the 2008 and the Petition Date
- In addition to the \$16.6B of balances forgiven prior to the Petition Date, an additional \$2.6B of intercompany balances that were on the Debtors' books and records as of the Petition Date were identified for forgiveness in the first half of 2012. But for the bankruptcy filing, it is appropriate to assume these balances would have been forgiven in the ordinary course of business
- The schedule below provides a summary of intercompany balances that the Debtors had identified for forgiveness in the first half of 2012

Impact of Intercompany Balances Identified for Forgiveness					
(\$ millions)					
Top Intercompany Balances		Net Interco Balance as of May 14, 2012 (1)	Anticipated Intercompany Balance Forgiveness	Adjusted Net Interco Balances	
Paying Entity	Receiving Entity				
Impact of Intercompany Balances Identified for Forgiveness	1 GMAC Residential Holding Co., LLC	Residential Capital, LLC	\$ 3,334	\$ -	\$ 3,334
	2 Residential Capital, LLC	Residential Funding Co., LLC	1,955	-	1,955
	3 Residential Funding Co., LLC	Homecomings Financial, LLC	1,252	(1,249)	3
	4 GMAC Mortgage, LLC	Passive Asset Transactions, LLC	697	(652)	45
	5 GMAC Mortgage, LLC	Executive Trustee Services, LLC	265	(265)	0
	6 RFC Asset Holdings II, LLC	Residential Funding Co., LLC	232	(214)	18
	7 GMAC Mortgage, LLC	Residential Funding Co., LLC	140	-	140
	8 GMAC Residential Holding Co., LLC	Home Connects Lending Serv., LLC	55	(55)	-
	9 GMAC Mortgage, LLC	GMAC Residential Holding Co., LLC	51	-	51
	10 Home Connects Lending Serv., LLC	GMACRH Settlement Services, LLC	50	(50)	-
	11 Residential Funding Co., LLC	RFC Asset Management, LLC	46	(46)	-
	12 RFC Asset Management, LLC	RFC SFJV-2002, LLC Pre	36	(36)	-
	13 Residential Funding Co., LLC	RCSFJV2004, LLC	17	(17)	0
	14 RFC Asset Holdings II, LLC	Homecomings Financial, LLC	12	(12)	-
	15 GMACRH Settlement Services, LLC	GMAC Mortgage, LLC	10	(10)	-
	16 Other	Other	41	(17)	24
	17 <b>Total</b>		<b>\$ 8,192</b>	<b>\$ (2,623)</b>	<b>\$ 5,569</b>

1. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC



## Scenario 1 **B** - Impact of Reinstatement of Intercompany Balances on Account of Fraudulent Conveyances

- Certain of the intercompany balances reflected on the Debtors' books and records as of the Petition Date could be reduced if actions were brought to avoid certain instances of the historical forgiveness of intercompany balances. That is because creditors of a Debtor entity that forgave a balance would likely argue that the Debtor entity did not receive reasonably equivalent value for the extinguishment of the receivable
- The schedule below reflects the impact of reinstating the balances that were forgiven that offset the intercompany balances on the Debtors' books and records as of the Petition Date

### Impact of Reinstatement of Balances on Account of Avoidance of Fraudulent Conveyances (1)

(\$ millions)		Top Intercompany Balances		Net Interco Balance as of May 14, 2012 (2)	Avoidance of Fraudulent Conveyances	Adjusted Net Interco Balances
		Paying Entity	Receiving Entity			
Impact of Reinstatement of Balances on Account of Avoidance of Fraudulent Conveyances	1	GMAC Residential Holding Co., LLC	Residential Capital, LLC	\$ 3,334	\$ -	\$ 3,334
	2	Residential Capital, LLC (3)	Residential Funding Co., LLC (3)	1,955	(1,955)	-
	3	Residential Funding Co., LLC	Homecomings Financial, LLC	1,252	-	1,252
	4	GMAC Mortgage, LLC	Passive Asset Transactions, LLC	697	(44)	653
	5	GMAC Mortgage, LLC	Executive Trustee Services, LLC	265	-	265
	6	RFC Asset Holdings II, LLC	Residential Funding Co., LLC	232	-	232
	7	GMAC Mortgage, LLC	Residential Funding Co., LLC	140	-	140
	8	GMAC Residential Holding Co., LLC	Home Connects Lending Serv., LLC	55	-	55
	9	GMAC Mortgage, LLC	GMAC Residential Holding Co. LLC	51	-	51
	10	Home Connects Lending Serv., LLC	GMACRH Settlement Services, LLC	50	-	50
	11	Residential Funding Co., LLC	RFC Asset Management, LLC	46	-	46
	12	RFC Asset Management, LLC	RFC SFJV-2002, LLC Pre	36	-	36
	13	Residential Funding Co., LLC	RCSFJV2004, LLC	17	-	17
	14	RFC Asset Holdings II, LLC	Homecomings Financial, LLC	12	-	12
	15	GMACRH Settlement Services, LLC	GMAC Mortgage, LLC	10	-	10
	16	Other	Other	41	-	41
	17	<b>Total</b>		<b>\$ 8,192</b>	<b>\$ (1,999)</b>	<b>\$ 6,193</b>

1. For illustrative purposes, the impact of avoidance of fraudulent conveyance has been applied to intercompany balances higher than \$10M  
2. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC

## Scenario 1C – Impact of Subordination of Certain Intercompany Balances

- Certain of the intercompany agreements identified by the Debtors contain bankruptcy standstill provisions that subordinate balances accrued under these agreements to GUC (see Homecomings Intercompany Advance Agreement, PATI Intercompany Advance Agreement, and RAHI Intercompany Advance Agreement). The Debtors do not believe that the intercompany balances on the Debtors' books and records as of the Petition Date accrued pursuant to these agreements; however, to the extent the holders of JSN seek to argue that these agreements govern the intercompany balances, the bankruptcy standstill provisions contained in these agreements would similarly apply
- The schedule below reflects the impact of subordination pursuant to bankruptcy standstill provisions on certain intercompany balances

Impact of Subordination of Certain Intercompany Balances						
(\$ millions)		Top Intercompany Balances		Net Interco Balance as of May 14, 2012 (1)	Subordinated Intercompany Balances	Adjusted Net Interco Balances
		Paying Entity	Receiving Entity			
Impact of Subordination of Intercompany Balances	1	GMAC Residential Holding Co., LLC	Residential Capital, LLC	\$ 3,334	\$ -	\$ 3,334
	2	Residential Capital, LLC	Residential Funding Co., LLC	1,955	-	1,955
	3	Residential Funding Co., LLC	Homecomings Financial, LLC	1,252	(1,252)	-
	4	GMAC Mortgage, LLC	Passive Asset Transactions, LLC	697	(697)	-
	5	GMAC Mortgage, LLC	Executive Trustee Services, LLC	265	-	265
	6	RFC Asset Holdings II, LLC	Residential Funding Co., LLC	232	(232)	-
	7	GMAC Mortgage, LLC	Residential Funding Co., LLC	140	-	140
	8	GMAC Residential Holding Co., LLC	Home Connects Lending Serv., LLC	55	-	55
	9	GMAC Mortgage, LLC	GMAC Residential Holding Co., LLC	51	-	51
	10	Home Connects Lending Serv., LLC	GMACRH Settlement Services, LLC	50	-	50
	11	Residential Funding Co., LLC	RFC Asset Management, LLC	46	-	46
	12	RFC Asset Management, LLC	RFC SFJV-2002, LLC Pre	36	-	36
	13	Residential Funding Co., LLC	RCSFJV2004, LLC	17	-	17
	14	RFC Asset Holdings II, LLC	Homecomings Financial, LLC	12	-	12
	15	GMACRH Settlement Services, LLC	GMAC Mortgage, LLC	10	-	10
	16	Other	Other	41	-	41
	17	Total		\$ 8,192	\$ (2,180)	\$ 6,012

1. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC

## Scenario 1 **D** – Aggregate Adjusted Intercompany Balances

- Aggregating scenarios 1A, 1B, and 1C, results in a decrease to the total amount of intercompany balances of \$4.6B. Adjustments are indicated on the right hand side of the chart and indicate whether the adjustment was due to intercompany balances identified for forgiveness, reinstatement of balances on account of avoidance of fraudulent conveyances or subordination of certain intercompany balances

### Impact of Adjustments to the Intercompany Balances

(\$ millions)

(\$ millions)		Top Intercompany Balances		Net Interco Balance as of May 14, 2012 (1)	Aggregate Adjustments	Adjusted Net Interco Balances	Adjustments
		Paying Entity	Receiving Entity				
Impact of Adjustments to the Intercompany Balances	1	GMAC Residential Holding Co., LLC	Residential Capital, LLC	\$ 3,334	\$ -	\$ 3,334	
	2	Residential Capital, LLC	Residential Funding Co., LLC	1,955	(1,955)	-	B
	3	Residential Funding Co., LLC	Homecomings Financial, LLC	1,252	(1,252)	-	A C
	4	GMAC Mortgage, LLC	Passive Asset Transactions, LLC	697	(697)	-	A B C
	5	GMAC Mortgage, LLC	Executive Trustee Services, LLC	265	(265)	0	A
	6	RFC Asset Holdings II, LLC	Residential Funding Co., LLC	232	(232)	-	A C
	7	GMAC Mortgage, LLC	Residential Funding Co., LLC	140	-	140	
	8	GMAC Residential Holding Co., LLC	Home Connects Lending Serv., LLC	55	(55)	-	A
	9	GMAC Mortgage, LLC	GMAC Residential Holding Co., LLC	51	-	51	
	10	Home Connects Lending Serv., LLC	GMACRH Settlement Services, LLC	50	(50)	-	A
	11	Residential Funding Co., LLC	RFC Asset Management, LLC	46	(46)	-	A
	12	RFC Asset Management, LLC	RFC SFJV-2002, LLC Pre	36	(36)	-	A
	13	Residential Funding Co., LLC	RCSFJV2004, LLC	17	(17)	0	A
	14	RFC Asset Holdings II, LLC	Homecomings Financial, LLC	12	(12)	-	A
	15	GMACRH Settlement Services, LLC	GMAC Mortgage, LLC	10	(10)	-	A
	16	Other	Other	41	(17)	24	A
	17	Total		\$ 8,192	\$ (4,643)	\$ 3,549	

- A** Intercompany balances identified for forgiveness  
**B** Reinstatement of balances on account of avoidance of fraudulent conveyances  
**C** Subordination of certain intercompany balances  
**D** The Aggregation of 1A, 1B, and 1C

1. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC

## Impact of Intercompany Balances on the JSN Recovery

The schedule below provides a detailed breakdown of the JSN recoveries from allowed intercompany balances in each sensitivity scenario

(\$ millions)		Interco Relationships		Net Interco Balance	Base Case	Scenario 1				Scenario 2
		Receiving Entity	Paying Entity			A	B	C	D	
Impact of Intercompany Balances	1	ResCap	GMAC Resi Holdings	\$ 3,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2	RFC	ResCap	1,955	-	5	-	5	-	5
	3	Homecomings	RFC	1,252	-	0	95	-	-	95
	4	PATI	GMACM	697	-	1	14	-	-	15
	5	ETS	GMACM	265	-	0	6	7	0	6
	6	RFC (1)	RAHI (1)	232	-	-	-	-	-	-
	7	RFC	GMACM	140	-	4	3	4	4	3
	8	Other	Other	318	-	2	7	7	2	7
	9	<b>Subtotal</b>		<b>\$ 8,192</b>	<b>\$ -</b>	<b>\$ 12</b>	<b>\$ 125</b>	<b>\$ 22</b>	<b>\$ 6</b>	<b>\$ 130</b>
JSN Recovery	10	JSN Secured Recovery - Base Case (2)			1,745	1,745	1,745	1,745	1,745	1,745
	11	Total Secured Recovery			\$ 1,745	\$ 1,757	\$ 1,870	\$ 1,768	\$ 1,751	\$ 1,876
	12	% of Total Claim (\$2,223M)			79%	79%	84%	80%	79%	84%
	13	Unsecured Recovery			217	211	189	210	216	186
	14	Total Recovery			\$ 1,963	\$ 1,969	\$ 2,060	\$ 1,977	\$ 1,967	\$ 2,062
	15	% of Total Claim (\$2,223M)			88%	89%	93%	89%	88%	93%

- A** Intercompany balances identified for forgiveness
- B** Reinstatement of balances on account of avoidance of fraudulent conveyances
- C** Subordination of certain intercompany balances
- D** The aggregation of 1A, 1B, and 1C

1. For illustrative purposes, recoveries from the RAHI intercompany balances are included in the equity pledge portion of the JSN secured recovery  
2. For comparative purposes the \$1,745M is reflected on a consistent basis. The JSN secured recovery varies between scenarios based on assumptions applied to the intercompany balances

## Appendix

## Pre-Petition Intercompany Balances<sup>1</sup>

(\$ in millions)

Paying Entity				Receiving Entity			Net Payable Balance
LE	Name	D/ND		LE	Name	D/ND	
1	SS033	GMAC Residential Holding Co LL	Debtor	50000	Residential Capital, LLC	Debtor	\$ 3,334
2	50000	Residential Capital, LLC	Debtor	10010	Residential Funding Co., LLC	Debtor	1,955
3	10010	Residential Funding Co., LLC	Debtor	10011	Homecomings Financial, LLC	Debtor	1,252
4	SS001	GMAC Mortgage LLC	Debtor	SS095	Passive Asset Transactions LLC	Debtor	697
5	SS001	GMAC Mortgage LLC	Debtor	SS002	Executive Trustee Services LLC	Debtor	265
6	10015	RFC Asset Holdings II, LLC	Debtor	10010	Residential Funding Co., LLC	Debtor	232
7	SS001	GMAC Mortgage LLC	Debtor	10010	Residential Funding Co., LLC	Debtor	140
8	SS033	GMAC Residential Holding Co LL	Debtor	SS067	Home Connects Lending Serv LLC	Debtor	55
9	SS001	GMAC Mortgage LLC	Debtor	SS033	GMAC Residential Holding Co LL	Debtor	51
10	SS067	Home Connects Lending Serv LLC	Debtor	SS066	GMACRH Settlement Services LLC	Debtor	50
11	10010	Residential Funding Co., LLC	Debtor	10300	RFC Asset Management, LLC	Debtor	46
12	10300	RFC Asset Management, LLC	Debtor	10301	RFC SFJV-2002, LLC Pre	Debtor	36
13	10010	Residential Funding Co., LLC	Debtor	10302	RCSFJV2004, LLC	Debtor	17
14	10015	RFC Asset Holdings II, LLC	Debtor	10011	Homecomings Financial, LLC	Debtor	12
15	SS066	GMACRH Settlement Services LLC	Debtor	SS001	GMAC Mortgage LLC	Debtor	10
16	10301	RFC SFJV-2002, LLC Pre	Debtor	10010	Residential Funding Co., LLC	Debtor	6
17	10302	RCSFJV2004, LLC	Debtor	10300	RFC Asset Management, LLC	Debtor	6
18	10022	Equity Investment I, LLC	Debtor	10010	Residential Funding Co., LLC	Debtor	5
19	16220	DOA Holding Properties, LLC	Debtor	10010	Residential Funding Co., LLC	Debtor	4
20	SS067	Home Connects Lending Serv LLC	Debtor	SS001	GMAC Mortgage LLC	Debtor	3

1. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC

## Pre-Petition Intercompany Balances (cont.)<sup>1</sup>

(\$ in millions)

Paying Entity				Receiving Entity			Net Payable Balance
LE	Name	D/ND		LE	Name	D/ND	
21	10011 Homecomings Financial, LLC	Debtor		SS001	GMAC Mortgage LLC	Debtor	3
22	SS001 GMAC Mortgage LLC	Debtor		50000	Residential Capital, LLC	Debtor	3
23	10302 RCSFJV2004, LLC	Debtor		10301	RFC SFJV-2002, LLC Pre	Debtor	3
24	SS001 GMAC Mortgage LLC	Debtor		SS026	Ditech.com LLC	Debtor	3
25	10010 Residential Funding Co., LLC	Debtor		10550	GMAC Model Home I, LLC	Debtor	2
26	10015 RFC Asset Holdings II, LLC	Debtor		50000	Residential Capital, LLC	Debtor	2
27	SS002 Executive Trustee Services LLC	Debtor		SS019	ETS of Virginia, Inc.	Debtor	1
28	SS001 GMAC Mortgage LLC	Debtor		SS009	GMAC Mortgage USA Corporation	Debtor	1
29	SS001 GMAC Mortgage LLC	Debtor		SS007	Residential Consumer Serv LLC	Debtor	0
30	10010 Residential Funding Co., LLC	Debtor		30003	RFC Construction Funding LLC	Debtor	0
31	10010 Residential Funding Co., LLC	Debtor		SS002	Executive Trustee Services LLC	Debtor	0
32	SS095 Passive Asset Transactions LLC	Debtor		10015	RFC Asset Holdings II, LLC	Debtor	0
33	16269 DOA Properties IX, LLC	Debtor		10010	Residential Funding Co., LLC	Debtor	0
34	SS018 ETS of Washington Inc	Debtor		SS001	GMAC Mortgage LLC	Debtor	0
35	SS001 GMAC Mortgage LLC	Debtor		SS019	ETS of Virginia, Inc.	Debtor	0
36	SS018 ETS of Washington Inc	Debtor		SS002	Executive Trustee Services LLC	Debtor	0
37	SS067 Home Connects Lending Serv LLC	Debtor		10010	Residential Funding Co., LLC	Debtor	0
38	10300 RFC Asset Management, LLC	Debtor		10011	Homecomings Financial, LLC	Debtor	0
39	10011 Homecomings Financial, LLC	Debtor		10301	RFC SFJV-2002, LLC Pre	Debtor	0
40	<b>Total</b>						<b>\$ 8,192</b>

1. Excludes the intercompany balance between GMAC Res Fund of Canada (Non-debtor) and Residential Funding Co., LLC

## Balance of Pending Forgiveness

(\$ millions)

Forgiven By	In Favor Of	Amount of Pending Balance Forgiveness
Homecomings Financial, LLC	Residential Funding Co., LLC	\$ 1,249
	RFC Asset Holdings II, LLC	12
	<b>Subtotal</b>	<b>\$ 1,261</b>
Passive Asset Transactions, LLC	GMAC Mortgage LLC	\$ 652
Executive Trustee Services, LLC	GMAC Mortgage LLC	\$ 265
Residential Funding Co., LLC	RFC Asset Holdings II, LLC	\$ 214
	RFC SFJV-2002, LLC Pre	6
	<b>Subtotal</b>	<b>\$ 220</b>
Home Connects Lending Serv., LLC	GMAC Residential Holding Co LLC	\$ 55
RFC Asset Management, LLC	Residential Funding Co., LLC	\$ 46
	RCSFJV2004, LLC	6
	<b>Subtotal</b>	<b>\$ 52</b>
GMACRH Settlement Services, LLC	Home Connects Lending Serv LLC	\$ 50
RFC SFJV-2002, LLC Pre	RFC Asset Management, LLC	\$ 36
	RCSFJV2004, LLC	3
	<b>Subtotal</b>	<b>\$ 39</b>
RCSFJV2004, LLC	Residential Funding Co., LLC	\$ 17
GMAC Mortgage, LLC	GMACRH Settlement Services LLC	\$ 10
	Home Connects Lending Serv LLC	3
	<b>Subtotal</b>	<b>\$ 13</b>
<b>Grand Total</b>		<b>\$ 2,623</b>



## Actual Balance Forgiveness

(\$ in millions)

Forgiven By	In Favor Of	Entity Status	Year					Grand Total
			2008	2009	2010	2011	2012	
Residential Capital, LLC	Residential Funding Co., LLC	Debtor	\$ 2,000	\$ 151	\$ -	\$ -	\$ -	\$ 2,151
	GMAC RFC Europe Limited	Non Debtor/Active	1,800	-	-	-	-	1,800
	GMAC - RFC (UK) Limited	Sold 9/30/2010	725	371	80	-	-	1,176
	GMAC RFC Investment B.V.	Sold 10/01/2010	154	435	-	-	-	589
	Investments BV GX1	SPE/Active	-	165	285	3	-	452
	RFC UK Ltd Viaduct	SPE/Active	15	175	231	-	-	420
	GMAC Res Fund of Canada	Non Debtor/Active	154	5	-	-	-	159
	Australia GMAC RFC	Sold 7/02/2009	23	122	-	-	-	145
	Viaduct (no.7)	SPE/Active	-	-	-	-	134	134
	Financiera Auritec, S.A.	Non Debtor/Active	-	39	-	-	-	39
	GMAC-RFC Property Finance Ltd	Non Debtor/Active	-	33	-	-	-	33
	PREEMAC 2 NL NETH B.V.	SPE/Active	-	-	19	3	-	22
<b>Subtotal</b>			<b>4,871</b>	<b>1,495</b>	<b>615</b>	<b>5</b>	<b>134</b>	<b>7,120</b>
GMAC Residential Holding Co LLC	GMAC Mortgage LLC	Debtor	-	2,520	-	-	-	2,520
Residential Funding Co., LLC	RFC Asset Holdings II, LLC	Debtor	1,228	-	-	-	-	1,228
	GMAC Model Home Finance, LLC	Sold 6/2008	481	-	-	-	-	481
	Equity Investment I, LLC	Debtor	392	-	-	-	-	392
	RC Properties I, LLC	Dissolved 12/30/2011	-	88	-	-	-	88
	CMH Holdings, LLC	Non Debtor/Active	48	-	-	-	-	48
	DOA Properties IX, LLC	Debtor	-	-	-	45	-	45
	DOA Holding Properties, LLC	Debtor	43	0	-	-	-	43
	DOA Properties I, LLC	Dissolved 8/09/2011	31	-	-	-	-	31
	Equity Investment IV	Dissolved 8/09/2011	-	21	-	-	-	21
	KBOne, LLC	Sold 6/2008	18	-	-	1	-	18
	DOA Properties II, LLC	Dissolved 8/09/2011	14	-	-	-	-	14
	RFC-GSAP Servicer Advance, LLC	Debtor	7	-	-	-	-	7
	DOA Properties IV, LLC	Dissolved 12/30/2011	-	-	-	7	-	7
	Developers of Hidden Springs	Dissolved 12/30/2011	6	-	-	-	-	6
	DOA Holdings NoteCo, LLC	Dissolved 4/12/2012	-	-	-	5	-	5
	REG-PFH, LLC	Dissolved 12/30/2001	5	-	-	-	-	5
	LenOne, LLC	Sold 6/2008	4	-	-	0	-	4
	RFC Construction Funding LLC	Debtor	-	-	-	2	-	2

## Actual Balance Forgiveness (cont.)

(\$ in millions)

Forgiven By	In Favor Of	Entity Status	Year					Grand Total
			2008	2009	2010	2011	2012	
Residential Funding Co., LLC	Hidden Springs Sewer Company	Sold 9/23/2009	2	-	-	-	-	2
	GMAC Model Home I, LLC	Debtor	-	1	-	-	-	1
	Ameriland LLC	Dissolved 12/30/2011	1	-	-	-	-	1
	GMCMTH, LLC	Sold 6/2008	0	-	-	0	-	1
	DOA Properties IIIB, LLC	Sold 9/30/2008	-	-	-	0	-	0
	DOA Properties V, LLC	Dissolved 12/30/2011	0	-	-	-	-	0
	DOA Properties VIII, LLC	Cancelled 6/06/2008	-	0	-	-	-	0
	RFC Resort Funding LLC	Sold 7/23/2008	-	-	-	0	-	0
	DOA Properties VII, LLC	Dissolved 8/09/2011	0	-	-	-	-	0
<b>Subtotal</b>			<b>2,280</b>	<b>111</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>2,452</b>
Passive Asset Transactions LLC	Flume (no.8)	SPE/Active	-	-	351	-	53	404
	GX CE Funding II B.V.	SPE/Active	-	-	311	-	-	311
	<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>662</b>	<b>-</b>	<b>53</b>	<b>715</b>
RFC Asset Holdings II, LLC	GMAC Model Home Finance, LLC	Sold to CMH 6/2008	-	-	-	209	-	209
GMAC Mortgage LLC (1)	PATI, LLC (1)	Debtor	44	-	-	-	-	44
GMACRH Settlement Services LLC	Home Connects Lending Serv LLC	Debtor	5	-	-	-	-	5
Homecomings Financial, LLC	GMAC Model Home Finance, LLC	Sold 6/2008	-	-	-	0	-	0
	DOA Properties IIIB, LLC	Sold 9/30/2008	-	-	-	0	-	0
	KBOne, LLC	Sold 6/2008	-	-	-	0	-	0
	LenOne, LLC	Sold 6/2008	-	-	-	0	-	0
	<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>Subtotal of Top Interco Notes</b>			<b>7,199</b>	<b>4,126</b>	<b>1,277</b>	<b>275</b>	<b>187</b>	<b>13,064</b>
GMAC Model Home Finance, LLC CMH Holdings, LLC Flume (no.8) GX CE Funding II B.V. DOA Holding Properties, LLC Remaining	Various		636	-	-	503	-	1,139
	Various		-	-	-	457	-	457
	Various		-	-	351	-	53	404
	Various		-	-	311	-	-	311
	Various		-	-	-	268	-	268
	Various		84	-	-	773	134	992
<b>Total</b>			<b>\$ 7,920</b>	<b>\$ 4,126</b>	<b>\$ 1,938</b>	<b>\$ 2,276</b>	<b>\$ 374</b>	<b>\$ 16,633</b>

1. The Fazio Report referenced the debt forgiveness schedule produced by the Debtors. Since the production, the debt forgiveness schedule has been updated to reflect an additional balance of \$44M between GMAC Mortgage, LLC and PATI, LLC

## Source Documents

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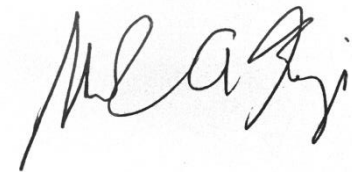
- April 30, 2013 Trial Balances (RENZI00000001)
- Estimated Recovery On Remaining Assets (RENZI000000002)
- Ocwen True-Up Summary (RENZI000000003)
- ResCap – Intercompany Transactions Presentation Dated April 4, 2013 (EXAM00345894)
- Post-Petition Intercompany Claims (RCUCCJSN00012496)
- Forgiven Intercompany Claim Balances (RCUCCJSN11270924)
- Intercompany Balances Identified for Forgiveness (RCJSNII00003625)
- Expert Report of Michael Fazio – Recovery Analysis Dated October 18, 2013
- Debtors’ SOALs (ECF #s 548-595)
- Corrected Solicitation Version of the Disclosure Statement and Joint Chapter 11 Plan (ECF # 4819)
- Homecomings Intercompany Advance Agreement (EXAM00107030-EXAM00107035)
- PATI Intercompany Advance Agreement (EXAM00107300-EXAM00107307)
- RAHI Intercompany Advance Agreement (EXAM00107022-EXAM00107029)

## Signature Page

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I reserve the right to update or modify this Report for additional information that may come to my attention, including information that was unavailable to me as of the date of this Report. I declare under penalty of perjury that foregoing is true and correct to the best of my knowledge and belief as of the date of this Report

Dated: November 1, 2013



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Mark A. Renzi  
Senior Managing Director  
FTI Consulting Inc.